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**ACN 125 694 920**

# **Half Year Financial Report**

**31 DECEMBER 2011**

# CORPORATE DIRECTORY

## BOARD OF DIRECTORS

Bruce McKay	Chairman
Stephen Bartrop	Non-executive director
John Bishop	Non-executive director
Paul Broad	Non-executive director
George Miltenyi	Non-executive director
David McDonald	Managing director

## COMPANY SECRETARY

Justin Clyne

## CORPORATE OFFICE

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## SHARE REGISTRY

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Telephone: 1300 737 760

## ASX CODE

KEN

## AUDITORS AND INDEPENDENT ACCOUNTANTS

BDJ Partners  
Level 13 122 Arthur Street  
NORTH SYDNEY NSW 2060

## SOLICITORS

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Skygarden Building  
77 Castlereagh Street  
SYDNEY NSW 2000

## CORPORATE ADVISORS

Clyne Corporate Advisory  
GPO Box 5193  
SYDNEY NSW 2001

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# DIRECTORS' REPORT

Half year ended 31 December 2011

Your directors submit their report for the half year ended 31 December 2011.

## DIRECTORS

The names of the company's directors in office during the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Bruce McKay (Chairman)  
John Bishop (Non-executive director)  
Stephen Bartrop (Non-executive director)  
Paul Broad (Non-executive director)  
George Miltenyi (Non-executive director)  
David McDonald (Managing director)

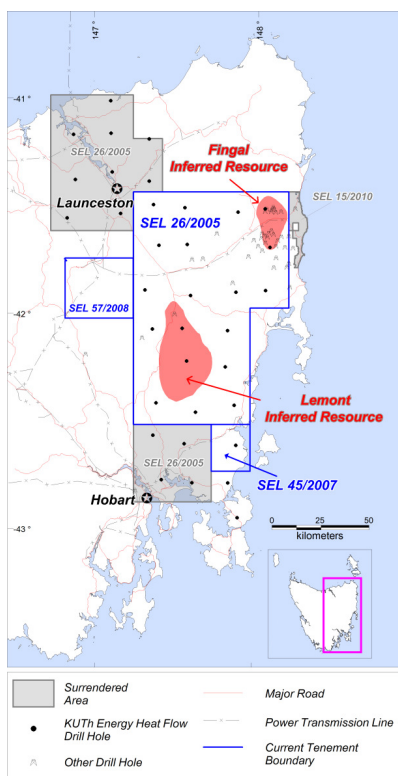
## REVIEW OF OPERATIONS

In the half year ended 31 December 2011 the company concentrated its efforts on the Australian and Vanuatu geothermal exploration targets. A summary of operations is follows.

### Australia

#### Government carbon pricing and renewable energy initiatives

Announcements by the Government in July 2011 on carbon pricing policy and renewable energy funding programs have provided an important boost to our industry. There is still considerable detail to be unravelled on the \$10 billion Clean Energy Finance Corporation but we consider this to be an important step in the right direction to stimulate development in the geothermal sector. Crucially, funding has now become available through the \$126 million Emerging Renewables Program (announced August 2011). At least 30% of this funding is expected to be available to support geothermal energy.



### Tasmania

In Tasmania the company continued to focus on exploring the options available for the deep drilling of our targets at Lemont and Fingal (Figure 1). As reported previously, we now consider both of our Inferred Resource targets in Tasmania to be "drill ready", meaning that we have gathered sufficient data to make a decision on well locations for next-stage drilling programs. Our strategy is directed to affordable drilling mechanisms that exist (or are being developed) with the aim of increasing confidence in our resource modelling and reducing our project risks prior to commissioning deep wells. This pragmatic approach takes into consideration the current market capitalisation of the company, the high costs of deep production-hole drilling, high mobilisation costs and uncertainty that resides in the market concerning future renewable energy support initiatives.

Figure 1: Location map of Tasmanian licences showing surrendered areas and projected surface extents of the Lemont and Fingal Inferred Resources (see Inferred Resource Statement Update, Annual Report 2011)

# DIRECTORS' REPORT (CONTINUED)

Half year ended 31 December 2011

## Acreage Management

The initial five year term of KUTH's major exploration tenement SEL 26/2005 expired in August 2011. The company has now received an additional five year term extension for a reduced portion of this licence comprising 7570 km<sup>2</sup> and focussing upon our main areas of prospectivity at Fingal and Lemont (Figure 1). Relinquished areas in the north and south of the original lease are characterised by relatively low heat flow. Also surrendered was tenement SEL 15/2010 (Figure 1) following comprehensive review which indicated that successful development in this region would be highly unlikely.

## Queensland

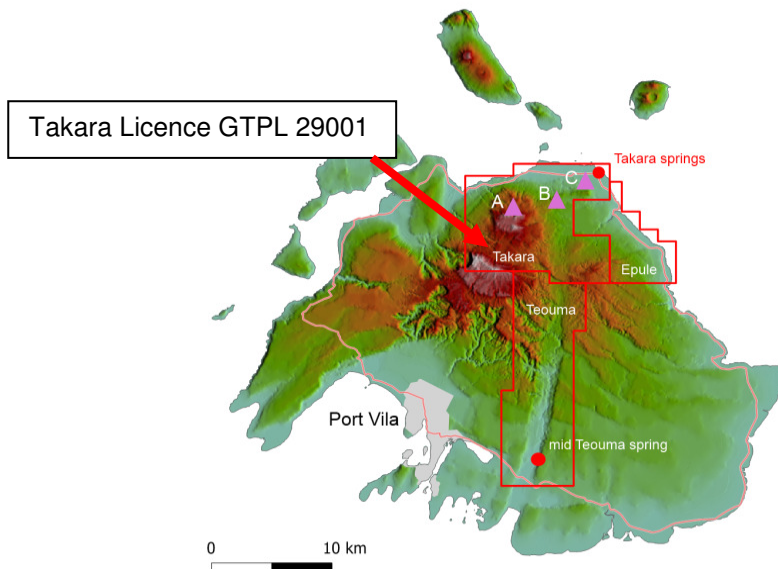
No additional exploration work was undertaken on our existing north Queensland licence, EPG 7. The company still awaits the final outcome of the official tender application process for tenement EPG 91 in the state's south-west.

## Pacific Region

### Vanuatu

#### Exploration Licence extended

The company was successful in extending its Takara licence for a period of 17 months revising the expiry date from 1 April 2012 to 1 October 2013. The extension was granted as a result of delays that have been incurred by the company while the Vanuatu government awaits the delivery of the final report from the World Bank on geothermal integration into the Vanuatu power mix.



Above: Location map of KUTH's Vanuatu licence areas with drill targets A,B & C identified

# DIRECTORS' REPORT (CONTINUED)

Half year ended 31 December 2011

## Project progress

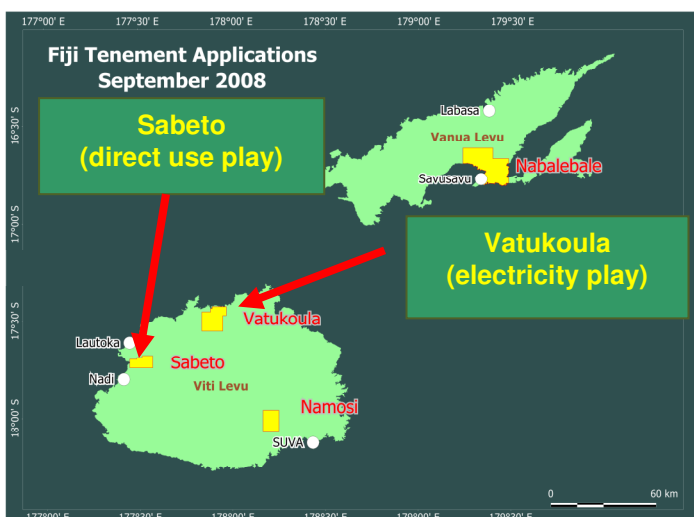
The company has been focussed on the following key areas during the half year to 31 December 2011.

- World Bank engagement on final report
- Takara Licence extension
- Power Purchase Agreement negotiations
- Regulatory approvals for tariff formulation
- Land survey and lease arrangements
- Community consultations
- Rig evaluation and drill contract preparation
- Assembling a team that will be able to manage the project

The final World Bank report was delivered to the government in January 2012. Once approved by the cabinet this will, hopefully, allow the government to take the necessary steps and regulatory decisions to facilitate the progress of the project.

## Fiji

The company has made progress with the Fiji Mineral Resources Department concerning the licence applications that it has lodged for exploration licences over Sabeto and Vatukoula on the island of Viti Levu (see diagram below). The completion of a report sponsored by the government of Japan and titled, *Study on Infrastructure Improvement of Power Generation in Viti Levu Island, the Republic of the Fiji Islands*, provides the company with information from geothermal exploration works on or near to some of KUTH's licence application areas. This has been helpful in allowing the company to consider next stage exploration programs.



Location map of KUTH tenement applications in Fiji

In view of the market potential for direct use applications in the nearby Nadi airport, hotels and general commercial precinct at Sabeto and the power off-take possibilities for the nearby Emperor Gold Mine at Vatukoula, the company feels that these prospects warrant further exploration and commercial evaluation.

# DIRECTORS' REPORT (CONTINUED)

Half year ended 31 December 2011

## Corporate

### Capital Management

On 3 August 2011 the company announced a non-renounceable rights issue to existing shareholders of two (2) new shares at an issue price of \$0.043 for every three (3) ordinary shares, seeking to raise approximately \$1.875 million, before costs of the offer. The offer was fully underwritten by Veritas Securities Ltd subject to the terms of the Underwriting Agreement signed on 1 August 2011.

Further announcements were made to the ASX in early September confirming the Rights Issue was partly subscribed by existing shareholders to the level of 13,468,422 shares and the balance of the issue (30,145,885 shares) was taken up under the terms of the underwriting agreement with Veritas Securities.

### Financial

The net financial result after applicable income tax for the half year was a loss before overhead reallocation of \$ 371,631 (2010 - \$682,545). The company has taken the approach of allocating corporate overhead on a pro rata basis to exploration expenditure across the project portfolio. This is intended to better reflect the corporate management costs as they apply to projects at various stages of development. In the half year to 31 December 2011 a reallocation of overhead for the period 1st July 2009 to 31st December 2011 amounting to \$499,127 was capitalised to the Vanuatu business to more fairly reflect the attention of management to that project. After the capitalisation of the Vanuatu overhead applicable to the 6 months to 31st December 2011 (\$182,045), the half year results reflect a loss for the consolidated entity of \$189,586.

The company's main focus during the half year has been on the Vanuatu and Tasmanian projects and in the development of new business opportunities. Capitalised exploration expenses during this period amounted to \$331,792 and during this period the company also elected to write off \$41,293 in capitalised development costs.

Total cash held at 31 December 2011 was \$2,020,042 (30 June 2011: \$1,050,296).

### Subsequent Events

#### Papua New Guinea (PNG)

The company announced on 11 January 2012 that it has entered into an agreement with KULA Energy to collaborate for the securing of the PNG tenement areas under application by KUTH Energy (PNG) Ltd. (KPNG). The key components of the Memorandum of Understanding reached with KULA include:

- KULA will invest its own equity and human resources in a bid to accelerate the securing of the exploration licences over the application areas lodged by KPNG;
- KULA will have an initial period of 12 months, ending 31 December 2012, to secure one or more of the KPNG licence applications (one of which must be Talasea). In return it will earn a 49.8% share in KPNG if this condition is met; and
- If KULA does not meet the conditions of securing the licences noted in point 2, they may seek an extension of the time (at KPNG discretion to award) or alternatively KULA may exercise an option to buy all KUTH shares held in KPNG for \$502,000.

Full details are contained in Australian Stock Exchange (ASX) release dated 11 January 2012 and available on the company website.

# DIRECTORS' REPORT (CONTINUED)

Half year ended 31 December 2011

## Saipan

The company made an announcement to the ASX on 30 January 2012 that the Commonwealth Utilities Corporation (CUC) of Saipan had issued KUTh a Notice of Intent to Award a contract with the key components of the contract being:

- An exclusive concession to KUTh to develop geothermal power and sell electricity to the transmission grid with agreed milestones and timelines to be incorporated in the contract;
- A grant to KUTh from the Commonwealth of the Northern Marianas (CNMI) government for the amount of USD 1,100,000 to support the drilling of a 600 metre deep geothermal gradient well (*Stage One Geothermal Gradient Project*); and
- Additional grant funding available from CNMI for the amount of USD 500,000 to support follow-on assessment work (*Stage Two Additional Assessment Work*) if warranted and approved by CUC following the determination of the Stage One Geothermal Gradient Project.

Further details on the Saipan ASX announcement dated 30 January 2012 can be found on the company's website.

The directors are not aware of any other significant changes in the state of affairs of the company occurring since the end of the half year ended 31 December 2011.

## Auditors Independence Declaration

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is attached to this report.

Signed at Sydney, 23 February, 2012, in accordance with a resolution of the directors.



**DAVID McDONALD**

**Managing Director**



# AUDITOR'S INDEPENDENCE STATEMENT

Half year ended 31 December 2011



partners  
C J Barnes FCA  
A J Dowell CA  
R Kelechi CPA (Affiliate ICAEW)  
M Gurney CA  
A N Faser CA

associate  
V A Radlan CA

consultant  
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CHB: RF

23 January, 2012

The Board of Directors  
KUTH Energy Limited  
Level 57 MLC Centre  
19-29 Martin Place  
SYDNEY NSW 2000

Dear Board of Directors,

## KUTH ENERGY LIMITED

We declare that to the best of our knowledge and belief, during the half year ended 31 December, 2011 there have been:

- i. No contraventions of auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit review and,
- ii. No contraventions of any applicable code of professional conduct in relation to the audit review.

Yours faithfully,  
BDJ Partners



Chris Barnes  
Partner



Liability limited by a scheme approved under Professional Standards Legislation.  
Please refer to the website for our standard terms of engagement.

# STATEMENT OF COMPREHENSIVE INCOME

*Consolidated*

*Half year ended 31 December 2011*

	Note	31 Dec 2011	31 Dec 2010
		\$	\$
<b>Revenue</b>	2	45,725	49,745
Administration expenses		(60,114)	(81,451)
Audit services		(12,000)	(8,500)
Consultant expenses		(39,852)	(35,716)
Depreciation expense		(1,311)	(1,752)
Directors' fees		(70,182)	(81,725)
Exploration expenditure written-off		(41,293)	(375,216)
Occupancy expenses		(4,817)	(4,587)
Salaries and employee benefits expense		(57,281)	(48,677)
Share based payments		-	-
Share based payments - options		(72,570)	-
Travel and accommodation		(9,155)	(13,142)
Other expenses from ordinary activities		(48,781)	(81,524)
<b>Profit /(loss) before income tax</b>		<u>(371,631)</u>	<u>(682,545)</u>
Income tax expense		-	-
<b>Profit/(loss) from continuing operations for the half year</b>		<u>(371,631)</u>	<u>(682,545)</u>
<b>Other comprehensive income</b>			
Reallocation of overhead capitalised to Vanuatu project	7	182,045	-
<b>Other comprehensive income for the half year, net of tax</b>		<u>182,045</u>	<u>-</u>
<b>Total comprehensive income/(loss) for the half year</b>		<u>(189,586)</u>	<u>(682,545)</u>
<b>Net profit/(loss) attributable to members of KUTh Energy Ltd</b>		<u>(189,586)</u>	<u>(682,545)</u>
<b>Earnings per share</b>		(cents)	(cents)
Basic profit/(loss) per share		(0.2034)	(1.0623)
Diluted profit/(loss) per share		(0.2034)	(1.0623)

*The accompanying notes form part of these financial statements.*

# STATEMENT OF FINANCIAL POSITION

*Consolidated*

*at 31 December 2011*

	Note	31 Dec 2011 \$	30 Jun 2011 \$
CURRENT ASSETS			
Cash and cash equivalents		2,020,042	1,050,296
Trade and other receivables	3	134,067	93,741
TOTAL CURRENT ASSETS		<u>2,154,109</u>	<u>1,144,037</u>
NON-CURRENT ASSETS			
Tenement security deposits		130,000	135,000
Other security deposits		50,000	50,000
Plant and equipment		14,901	17,156
Deferred exploration and evaluation expenditure	4	4,541,376	4,068,832
TOTAL NON-CURRENT ASSETS		<u>4,736,277</u>	<u>4,270,988</u>
TOTAL ASSETS		<u>6,890,386</u>	<u>5,415,025</u>
CURRENT LIABILITIES			
Trade and other payables	5	109,960	337,364
Provisions		26,048	22,996
TOTAL CURRENT LIABILITIES		<u>136,008</u>	<u>360,360</u>
TOTAL LIABILITIES		<u>136,008</u>	<u>360,360</u>
NET ASSETS		<u>6,754,378</u>	<u>5,054,665</u>
EQUITY			
Issued capital	6	9,960,781	8,147,042
Accumulated losses		(3,591,648)	(3,402,062)
Reserves		385,245	309,685
TOTAL EQUITY		<u>6,754,378</u>	<u>5,054,665</u>

*The above statement of financial position should be read in conjunction with the accompanying notes.*

# STATEMENT OF CASH FLOWS

*Consolidated*

*Half year ended 31 December 2011*

	Note	31 Dec 2011	31 Dec 2010
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(478,512)	(451,647)
Other income		0	0
Interest received		45,705	57,441
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES		<u>(432,807)</u>	<u>(394,206)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of plant and equipment		(413)	(2,245)
Expenditure on mining interests (exploration)		(331,792)	(476,480)
REDI Grant funds received / (repaid)			0
Tenement security deposits ( paid )/recovered		5,000	0
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		<u>(327,205)</u>	<u>(478,725)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,875,415	0
Equity raising expenses		(145,657)	0
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>1,729,758</u>	<u>0</u>
NET INCREASE (DECREASE) IN CASH HELD		969,746	(872,931)
Add opening cash brought forward		1,050,296	2,355,204
CLOSING CASH CARRIED FORWARD		<u>2,020,042</u>	<u>1,482,273</u>

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

# STATEMENT OF CHANGES IN EQUITY

*Consolidated*

*Half year ended 31 December 2011*

	Attributable to the shareholders of KUTh Energy Ltd			
	Issued capital	Accumulated losses	Reserves	Total equity
	\$	\$	\$	\$
At 1 July 2010	8,043,722	(2,461,703)	222,125	5,804,144
Loss for the period		(941,517)		(941,517)
Share based payments	103,320		101,696	205,016
Foreign currency translation reserve		1,158	(14,136)	(12,978)
At 30 June 2011	<b>8,147,042</b>	<b>(3,402,062)</b>	<b>309,685</b>	<b>5,054,665</b>
At 1 July 2011	8,147,042	(3,402,062)	309,685	5,054,665
Loss for the period		(189,586)		(189,586)
Share based payments	83,981		72,570	156,551
Contributions of equity, net of transaction costs	1,729,758			1,729,758
Foreign currency translation reserve			2,990	2,990
At 31 December 2011	<b>9,960,781</b>	<b>(3,591,648)</b>	<b>385,245</b>	<b>6,754,378</b>

# NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT

The half year financial report does not include all notes of the type normally included within the annual financial report, and therefore, cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the company as the full financial report.

The half year financial report should be read in conjunction with the annual financial report of KUTh Energy Ltd as at 30 June 2011.

It is also recommended that the half year financial report be considered together with any public announcements made by KUTh Energy Ltd during the half year ended 31 December 2011 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

### (a) Statement of compliance

The half year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half year financial report has been prepared on an historical cost basis and available-for-sale financial assets that have been measured at fair value.

For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

The half year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

### (b) Basis of consolidation

The consolidated financial statements comprise the financial statements of KUTh Energy Ltd (KUTh or the "company") and its subsidiaries ("the group") as at 31 December each year.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries are fully consolidated from date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group.

### (c) Significant accounting policies

The half year financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2011, except as below:

#### Change in accounting policy

##### Overhead reallocation to the Vanuatu project

At 31 December 2011, the company has calculated and reallocated, from the corporate entity to the Vanuatu project, an amount of \$499,127, which reflects a fair allocation of corporate overhead for evaluating and managing the project from 1 July 2009 to 31 December 2011. The charge to the Vanuatu project forms part of the Vanuatu capitalised expenditure at 31 December 2011. The effect of the reallocation is to increase the value of the capitalised Vanuatu exploration costs by \$499,127 and reduce the losses carried in KUTh Energy Ltd by the same value. The table following details the changes made and the effect on the consolidated statement of comprehensive income and statement of financial position for each of the reporting periods to which the change relates.

## NOTES TO THE HALF YEAR FINANCIAL STATEMENTS (CONTINUED)

Consolidated Group Change in accounting policy Vanuatu overhead reallocation	6 months to 31 December 2011			12 months to 30 June 2011			12 months to 30 June 2010		
	Previous policy	Adjustment	Revised policy	Previous policy	Adjustment	Revised policy	Previous policy	Adjustment	Revised policy
<b><u>Statement of comprehensive income</u></b>	\$	\$	\$	\$	\$	\$	\$	\$	\$
Loss from continuing operations for the period, net of tax	(371,631)	-	(371,631)	(1,108,414)	-	(1,108,414)	(873,764)	-	(873,764)
<b>Other comprehensive income</b>									
Reallocation of overhead capitalised to the Vanuatu project	-	182,045	182,045	-	166,897	166,897	-	150,185	150,185
Total comprehensive income/(loss) for the year	(371,631)	182,045	(189,586)	(1,108,414)	166,897	(941,517)	(873,764)	150,185	(723,579)
<b>Net loss attributable to members of KUTH Energy Ltd</b>	<b>(371,631)</b>	<b>182,045</b>	<b>(189,586)</b>	<b>(1,108,414)</b>	<b>166,897</b>	<b>(941,517)</b>	<b>(873,764)</b>	<b>150,185</b>	<b>(723,579)</b>
	<i>(cents)</i>	<i>(cents)</i>	<i>(cents)</i>	<i>(cents)</i>	<i>(cents)</i>	<i>(cents)</i>	<i>(cents)</i>	<i>(cents)</i>	<i>(cents)</i>
Basic earnings per share	(0.3986)	0.1952	(0.2034)	(1.7056)	0.2568	(1.4488)	(1.4601)	0.2510	(1.2091)
Diluted earnings per share	(0.3986)	0.1952	(0.2034)	(1.7056)	0.2568	(1.4488)	(1.4601)	0.2510	(1.2091)
<b><u>Statement of financial position</u></b>	\$	\$	\$	\$	\$	\$	\$	\$	\$
Deferred exploration and evaluation expenditure	4,042,249	499,127	4,541,376	3,751,750	317,082	4,068,832	3,491,129	150,185	3,641,314
Retained earnings	(4,090,775)	499,127	(3,591,648)	(3,719,144)	317,082	(3,402,062)	(2,611,888)	150,185	(2,461,703)

## NOTES TO THE HALF YEAR FINANCIAL STATEMENTS (CONTINUED)

	31 Dec 2011	31 Dec 2010
	\$	\$
<b>2. REVENUE FROM ORDINARY ACTIVITIES</b>		
Interest received - other persons/ corporations	45,725	49,745
Other income	-	-
<b>Total</b>	<u>45,725</u>	<u>49,745</u>
	<b>31 Dec 2011</b>	<b>30 Jun 2011</b>
	\$	\$
<b>3. RECEIVABLES - CURRENT</b>		
Interest receivable	8,267	9,088
Refund for GST paid	28,301	47,687
Prepayments and other receivables	97,499	36,966
<b>Total Receivables</b>	<u>134,067</u>	<u>93,741</u>
<b>4. NON-CURRENT ASSETS</b>		
<i>Deferred exploration and evaluation expenditure</i>		
Costs brought forward	4,068,832	3,641,314
Costs incurred during the half year	331,792	801,411
Overhead reallocated – Vanuatu project. <b>Refer Note 1. (c)</b>	182,045	166,897
REDI Grant funds applied to offset expenditure	-	(113,600)
Expenditure written off during the half year	(41,293)	(427,190)
Costs carried forward	<u>4,541,376</u>	<u>4,068,832</u>
<b>5. TRADE AND OTHER PAYABLES</b>		
Trade creditors	40,641	37,433
Accrued expenses	69,309	27,121
REDI Grant paid in advance	-	272,800
Other	10	10
<b>Total trade and other payables</b>	<u>109,960</u>	<u>337,364</u>
<b>6. ISSUED CAPITAL</b>		
<b>Share capital</b>		
Balance brought forward		
<i>Shares issued in lieu of directors fees</i>	8,147,042	8,043,722
2,099,533 shares – 31 October 2011	83,981	
1,640,000 shares – 6 October 2010		103,320
<i>Non-renounceable rights issue</i>		
13,468,422 shares – 5 September 2011	579,142	
30,145,885 shares – 6 September 2011	1,296,273	
Share Issue Costs	(145,657)	
<b>111,135,300 ordinary shares fully paid</b>		
(30 June 2011 – 65,421,460)	9,960,781	8,147,042



## NOTES TO THE HALF YEAR FINANCIAL STATEMENTS (CONTINUED)

	31 Dec 2011	31 Dec 2010
	\$	\$
<b>7. OVERHEAD REALLOCATION TO VANUATU PROJECT</b>		
Value of overhead reallocated and capitalised to the Vanuatu project. Refer Note 1. (c) for further detail	182,045	-

### 8. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no change in any contingent liabilities or contingent assets.

### 9. SEGMENT INFORMATION

#### (a) Identification of reportable segments

The company has identified its operating segments based on the internal reports that are reviewed and used by the managing director and board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The company conducts exploration and development activities in the geothermal industry and holds tenements within Australia and Vanuatu. Segments have been identified based on the functional reporting units of the company, which are also mainly based on geographic locations.

#### (b) Description of reportable segments

##### Corporate operations

Costs associated with corporate operations are sufficiently significant to constitute a separate reporting segment.

##### Australian operations

The company holds tenements and conducts exploration and development activities in Tasmania and Queensland.

##### Vanuatu operations

The company holds tenements and conducts exploration and development activities in Vanuatu.

##### Other overseas operations

Activities in Fiji and PNG are minor and therefore aggregated into "Other Overseas Operations".

#### (c) Basis of measurement

Consistent accounting policies have been adopted across the operating segments. The basis of accounting for any transactions between reportable segments is at cost.

## NOTES TO THE HALF YEAR FINANCIAL STATEMENTS (CONTINUED)

Segment performance		December 2011				Total	December 2010				Total
		Corporate operations	Australian operations	Vanuatu operations	Other OS operations		Corporate operations	Australian operations	Vanuatu operations	Other OS operations	
<b>Segment revenue</b>											
Interest revenue		45,725			45,725	49,745				49,745	
<b>Total segment revenue</b>	<b>A</b>	<b>45,725</b>			<b>45,725</b>	<b>49,745</b>				<b>49,745</b>	
<b>Segment revenue reconciled to total entity revenue</b>											
<b>Segment expenses</b>											
Administration expenses		60,092			22	60,114	80,640		811	81,451	
Audit services		12,000				12,000	8,500			8,500	
Consultant expenses		39,852				39,852	35,716			35,716	
Depreciation expenses		1,311				1,311	1,752			1,752	
Directors fees		66,991			3,191	70,182	77,498		4,227	81,725	
Write down of carrying value of exploration expenditure			36,484	4,809		41,293		375,216		375,216	
Occupancy expenses		4,817				4,817	4,587			4,587	
Salaries and employee benefits expense		57,281				57,281	48,677			48,677	
Share and option based payments		72,570				72,570					
Travel and accommodation		9,155				9,155	13,142			13,142	
Business development		48,781				48,781	81,524			81,524	
<b>Total expenses</b>	<b>B</b>	<b>372,850</b>	<b>36,484</b>	<b>4,809</b>	<b>3,213</b>	<b>417,356</b>	<b>352,036</b>	<b>375,216</b>	<b>0</b>	<b>5,038</b>	<b>732,290</b>
<b>Segment expenses reconciled to total entity expenses</b>					<b>417,356</b>					<b>732,290</b>	
<b>Segment profit/(loss) before tax</b>	<b>A-B</b>	<b>(327,125)</b>	<b>(36,484)</b>	<b>(4,809)</b>	<b>(3,213)</b>	<b>(371,631)</b>	<b>(302,291)</b>	<b>(375,216)</b>	<b>0</b>	<b>(5,038)</b>	<b>(682,545)</b>
<b>Segment profit/(loss) reconciled to entity profit/(loss) before tax</b>					<b>(371,631)</b>					<b>(682,545)</b>	

## NOTES TO THE HALF YEAR FINANCIAL STATEMENTS (CONTINUED)

### Additions to segment assets

	December 2011				Total
	Corporate operations	Australian operations	Vanuatu operations	Other OS operations	
Additions to non-current assets					
Non-current assets as at 1 July 2011	54,737	3,364,062	535,107	0	3,953,906
Additions	(899)	(6,356)	789,626	0	782,371
<b>Total group non-current assets</b>	<b>53,838</b>	<b>3,357,706</b>	<b>1,324,733</b>	<b>0</b>	<b>4,736,277</b>

### 10. SUBSEQUENT EVENTS

#### Papua New Guinea (PNG)

The company announced on 11 January 2012 that it has entered into an agreement with KULA Energy to collaborate for the securing of the PNG tenement areas under application by KUTH Energy (PNG) Ltd (KPNG). The key components of the Memorandum of Understanding reached with KULA include:

- KULA will invest its own equity and human resources in a bid to accelerate the securing of the exploration licences over the application areas lodged by KPNG;
- KULA will have an initial period of 12 months, ending 31 December 2012, to secure one or more of the KPNG licence applications (one of which must be Talasea). In return it will earn a 49.8% share in KPNG if this condition is met; and
- If KULA does not meet the conditions of securing the licences noted in point 2, they may seek an extension of the time (at KPNG discretion to award) or alternatively KULA may exercise an option to buy all KUTH shares held in KPNG for \$502,000.

Full details are contained in Australian Stock Exchange (ASX) release dated 11 January 2012 and available on the company web site.

#### Saipan

The company made an announcement to the ASX on 30 January 2012 that the Commonwealth Utilities Corporation (CUC) of Saipan had issued KUTH a Notice of Intent to Award a contract with the key components of the contract being:

- An exclusive concession to KUTH to develop geothermal power and sell electricity to the transmission grid with agreed milestones and timelines to be incorporated in the contract;
- A grant to KUTH from the Commonwealth of the Northern Marianas (CNMI) government for the amount of USD 1,100,000 to support the drilling of a 600 metre deep geothermal gradient well (*Stage One Geothermal Gradient Project*); and
- Additional grant funding available from CNMI for the amount of USD 500,000 to support follow-on assessment work (*Stage Two Additional Assessment Work*) if warranted and approved by CUC following the determination of the Stage One Geothermal Gradient Project.

Further details on the Saipan ASX announcement dated 30 January 2012 can be found on the company's website.

The directors are not aware of any other significant changes in the state of affairs of the company occurring since the end of the half year ended 31 December 2011.

# DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 8 to 17, are in accordance with the *Corporations Act 2001* and:
  - a. comply with accounting standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position as at 31 December 2011 and of the performance for the half year ended on that date of the company and consolidated group.
2. the chief executive officer and the chief finance officer have each declared that:
  - a. the financial records of the company for the half year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the half year comply with accounting standards; and
  - c. the financial statements and notes for the financial year give a true and fair view; and
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.



**DAVID McDONALD**  
Managing Director

Sydney, 23 February 2012

# INDEPENDENT AUDITOR'S REVIEW REPORT



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A J Durwell CA  
B Releesh CPA (Affiliate CAW)  
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## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of KUTH Energy Limited,

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of KUTH Energy Limited, which comprises the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134.

#### *Interim Financial Reporting and the Corporations Regulations 2001.*

As the auditor of KUTH Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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## INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)

### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of KUTH Energy Limited on 23 January, 2012, would be in the same terms if provided to the directors as at the date of this auditor's review report.

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of KUTH Energy Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

BDJ Partners  
Chartered Accountants



Chris Barnes  
Partner

23 February, 2012

# **KUTh ENERGY LTD**

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